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THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

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The conversion of industry and trade to a full-scale wartime basis is progressing rapidly. Essential requirements are absorbing an increasing proportion of current production in industries making both heavy and light goods. Practical limitations to output, resulting from scarcities of imported and many domestic commodities, of skilled labor, and of plant facilities in the face of sharply expanding needs, have necessitated the imposition and extension of direct controls. Major industries are shifting to full war production. Allocations of goods are supplanting priorities in an increasing number of lines, and price ceilings and rationing are being resorted to on a growing scale. The unprecedented requirements of the war effort are restricting the supply of goods for general civilian consumption over a broad front of both durable and nondurable products, and progressively greater limitations are in prospect.

Industrial production in the Third Federal Reserve District receded slightly in January from the peak levels prevailing a month before but continues substantially above any January on record, including 1929. The output of durable goods advanced to a new high on a seasonally adjusted basis, the volume of production being half again as great as in the same month last year. Activity in consumers' lines declined in the month but was nearly 10 per cent above January 1941. Production of coal and oil increased less than seasonally, and the output of electric power advanced somewhat.

Construction activity declined after the turn of the year, but the volume of new contracts

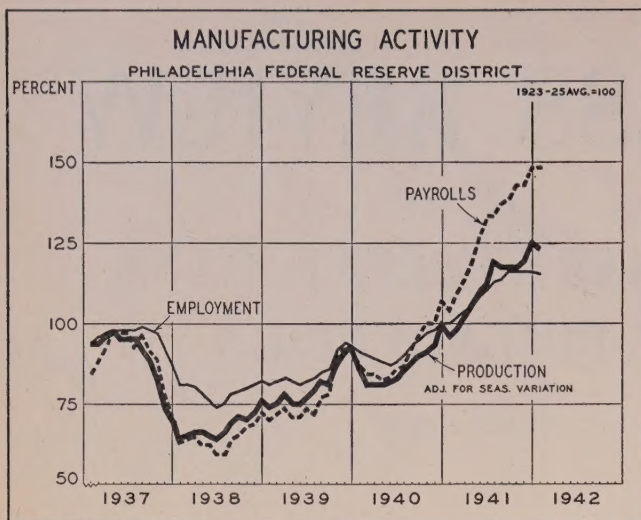
awarded was still larger than in the same period of 1941. The volume of industrial building continues large, and residential construction is well sustained in defense areas, where housing needs have become acute with the influx of workers.

Employment and payrolls in trade and nonmanufacturing industries declined in January after the holiday season, as was to be expected, but were well sustained at factories. Total payrolls at manufacturing plants continue at about the peak levels reached last fall, and preliminary reports for February indicate further increases, especially in heavy goods industries.

Reflecting large consumer incomes and considerable anticipatory buying, retail trade has been unusually active. The decline from December to January in sales by department stores was much smaller than is ordinarily the case, and the volume for the first month of 1942 was the largest for the period since the late 1920's. Buying at wholesale has continued strong in lines where deliveries can be made within a reasonable period, and the movement of freight is heavy.

Prices of commodities continue firm, following sharp advances in quotations on foods and agricultural goods in December and January. The cost of living continues to rise, particularly in the case of food and housefurnishings.

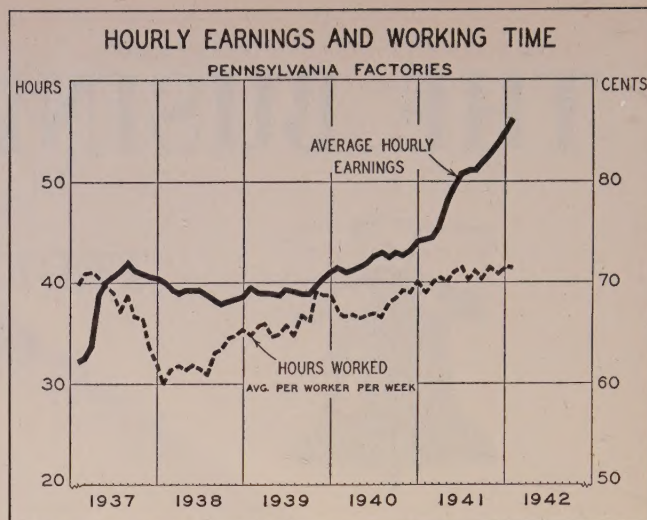
Demand for bank credit is expanding further. Advances to trade and industry are still below the peaks reached some months ago, but credit to finance defense work is being extended on an increasing scale. Investments in government secur-



ities have been at record levels, with further increases in prospect. Bank reserves have declined, owing in part to continued heavy demand for circulating currency and to government financing requirements. Prices of securities in the short term market have been firm. Quotations on longer term governments have receded somewhat since the first of the year. In the corporate bond market, small declines have prevailed in February, following some strength in the preceding month.

Manufacturing. The demand for goods manufactured in this District has increased further. Purchases by the Government are expanding rapidly in both durable and nondurable lines, further restricting sales on civilian account. Inquiries from the regular trade are still numerous but the growing volume of priority orders is making producers increasingly reluctant to schedule so-called nonessential business. Shipments are increasing and in most lines are considerably above the levels prevailing in the early weeks of 1941. Prices of a number of factory products for which ceilings have not been established are continuing to advance.

Operations are sustained at exceptionally high levels at defense plants and those supplying essential civilian needs; in certain other lines productive activity is being curtailed by a shortage of materials. Unfilled orders generally continue at the high levels prevailing in recent months. Backlogs have increased further in many of the heavy industries and at textile mills which have received substantial Government contracts. Inventories of finished goods continued to decline in the month ended the middle of February and in a majority of

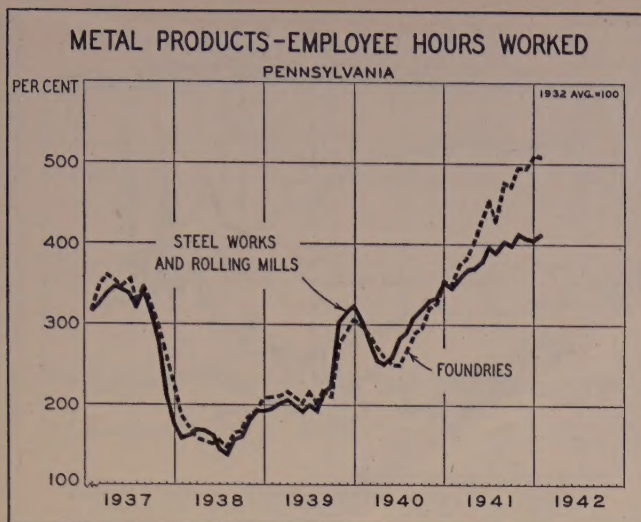


the reporting lines were below the level of a year earlier. Stocks of raw materials are generally heavier than in early 1941.

Employment and payrolls in Pennsylvania factories were unusually well maintained from December to January. The number employed decreased only 1 per cent to an estimated 1,140,000 workers, and the volume of wage disbursements continued at a record high of nearly \$37,000,000 a week. Increases over a year ago amounted to 15 per cent in employment and 40 per cent in wage payments, reflecting principally sharp gains in the heavy industries. In these lines employment has increased 50 per cent and wage payments have more than doubled since the beginning of the defense program. In February payrolls increased more than seasonally, according to preliminary reports.

At plants manufacturing durable goods, employment and payrolls showed increases over January 1941 of 25 and 51 per cent respectively, the greatest expansion being in the metal industries. The number employed in the manufacture of nondurable goods was 1 per cent larger than a year ago and wage disbursements showed a gain of 15 per cent. The most pronounced increases were at establishments producing certain food, paper, and leather products.

Earnings of factory workers in Pennsylvania continued to increase in January, reaching a new high average of 86 cents an hour, as against 74 cents a year ago. Working time decreased slightly in the month, but average weekly income rose to a new peak of \$35.19, or nearly \$6.50 above the level of January 1941.



At manufacturing plants in Delaware the number employed increased 1 per cent from December to January and wage payments advanced 3 per cent. In southern New Jersey changes in this period were small.

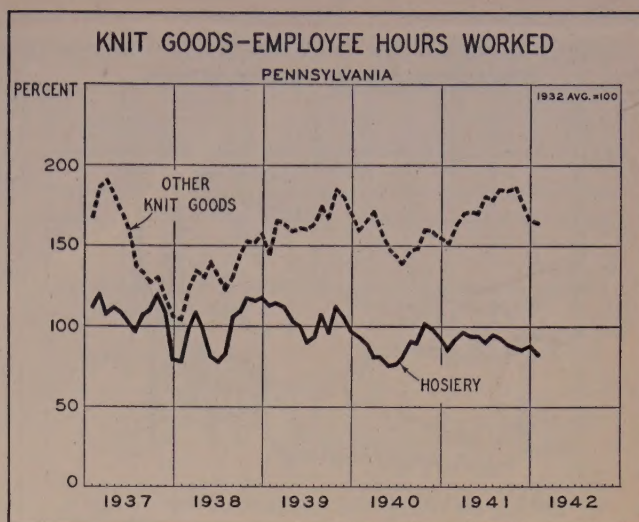
The output of factory products in this District in January was slightly smaller than in December. On a seasonally adjusted basis an increase of 3 per cent was reported in the case of durable goods, output of which was 51 per cent above a year earlier. Production of lighter goods decreased from December but was 8 per cent larger than in January 1941.

Output of electric power showed a small increase from December to January and was 13 per cent greater than a year ago. Total sales on a seasonally adjusted basis increased 5 per cent in the month and sales to industries rose 3 per cent.

Coal and other fuels. The domestic demand for fuels continues strong. Sales of bituminous coal are active, owing to expanding industrial requirements and heavy consumption by the railroads. The market for anthracite also is well sustained. Prices of fuels are firm.

Shipments of anthracite last year were 9 per cent above 1940 and the largest since 1936. The output of anthracite showed a seasonal increase of 10 per cent in January, but was the smallest for the month with one exception since 1933. Production expanded further in early February.

The aggregate volume of bituminous coal shipped throughout the country in 1941 was the heaviest in thirteen years. Production of soft coal in Pennsylvania declined somewhat from December to January



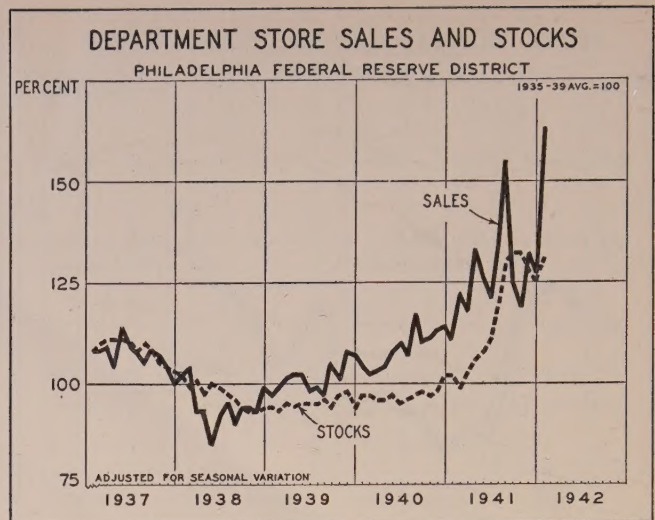
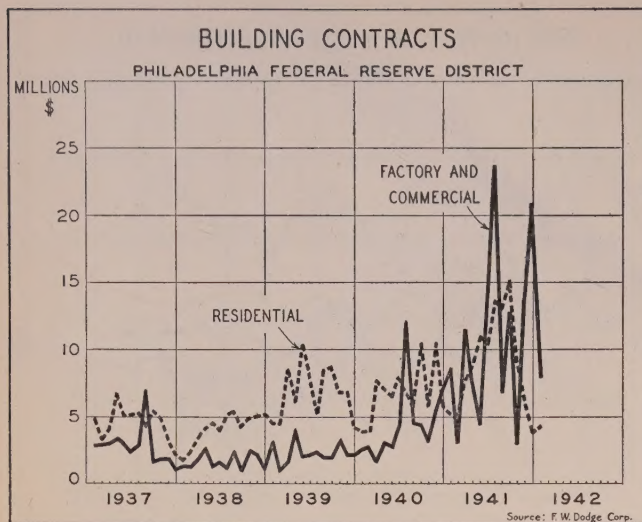
to a daily average of 451,000 tons, although an increase was to be expected. Colliery output in January was 7 per cent above a year ago and the largest for the month since 1930.

Activity at by-product coke ovens continues at peak levels; production in 1941 was 8 per cent higher than in 1940 and the heaviest in records back to the 1920's.

Building. Activity in the building industry in this District slackened further from December to January, but operations continue above a year ago. Residential building is well sustained in industrial centers where shortages of low-cost housing units have developed. New awards declined considerably in the month, reflecting a sharp reduction in contracts for commercial structures. Average prices of building materials increased further in January to a new high level; quotations on lumber have been relatively steady recently as many types are now under price ceilings.

Awards of new contracts declined 43 per cent in January to \$19,100,000. Contracts for public works and utilities as well as commercial structures declined, and awards for educational buildings were the smallest since 1933. Increases were reported in the case of residences and factories, contracts for the latter being nearly one-third of the total. The dollar volume of awards in January was somewhat larger than a year ago, although substantial declines were shown in the case of commercial and residential construction.

Trade. The exceptionally large volume of goods moving through distributive channels since the



turn of the year has reflected heavy industrial requirements and active consumer purchases, stimulated by large incomes and anticipatory buying. In January retail sales were unusually heavy. Business at wholesale was well maintained and in most instances considerably above that in January 1941. The movement of rail freight, reflecting to a large extent heavy shipments of manufactures, held close to the December level and was substantially greater than a year and two years ago.

Sales by department stores in this District declined much less than usual from December to January, with the result that the adjusted index, based on the 1935-39 average, advanced from 127 to a high of 163, a level 45 per cent above a year ago. Preliminary reports indicate that sales decreased somewhat in early February, but continued to show increases over 1941 even after allowing for advances in selling prices. Sales in other retail lines in January also compared favorably with a year ago, with gains ranging from 27 and 28 per cent respectively at women's apparel and credit stores to over 40 per cent at establishments specializing in shoes and men's apparel.

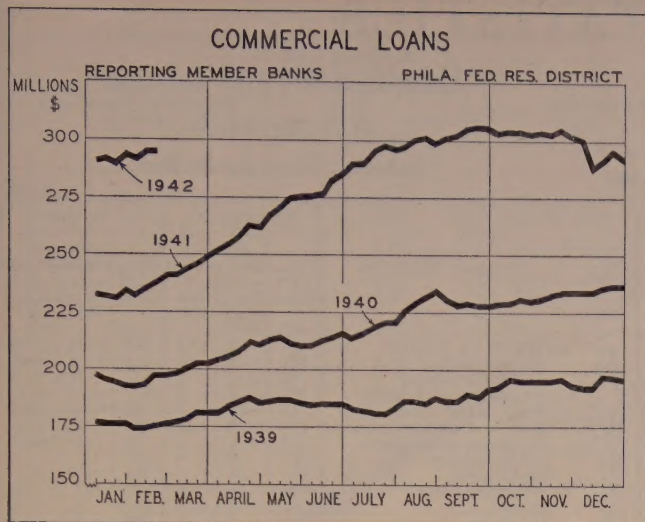
Stocks of goods in January increased somewhat at department and credit stores but declined in other lines. Expansion over January 1941 was shown in all reporting trades. At the credit stores, which handle primarily durable consumers' goods, inventories were increased by nearly one-half; the advance approximated 30 per cent at department and women's apparel stores but was only 7 per cent at the shoe stores. Outstanding department store orders for additional goods were increased

very sharply in January and at the close of the month appeared to be more than twice as large, in dollars, as they were a year earlier, according to reports from a number of establishments.

Sales by wholesale distributors showed mixed changes from December to January, but volume in the latter month was nearly 40 per cent greater than a year ago. Gains over the twelve months were large in the case of shoes, paper, dry goods, groceries, and hardware, but amounted to less than 10 per cent in drugs, electrical supplies, and jewelry. Stocks of goods were larger than a year ago in all reporting lines except jewelry, and in total showed an expansion of 18 per cent.

Freight-car loadings in this section declined somewhat in January but were still 10 per cent above a year ago and the largest for the month since 1930. Shipments of manufactures, fuels, and grain were well maintained from December to January, while loadings of ore dropped more than seasonally and declines also were reported in the case of forest products and livestock. Substantial increases over January 1941 were shown in the movement of manufactures, coke, grain, and forest products. Coal shipments, continuing to reflect active stocking by consumers last summer, were only 3 per cent larger than a year ago; no change was shown in livestock, and the movement of ore declined. Loadings in the Philadelphia area, consisting chiefly of industrial products, thus far this year have shown a substantial advance over 1941.

Business liquidations in January were about one-third smaller than a year ago, both in number and in the amount of liabilities.

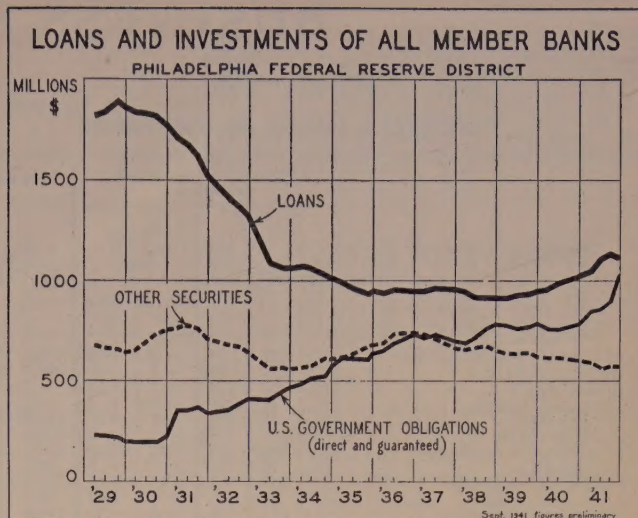


Banking conditions. Earning assets of the reporting banks in this District have increased in the past month. Industrial and trade demand for credit expanded, but outstanding commercial loans are still under the high point reached late last summer. Investments have been at record levels, following active purchases of governments in the last quarter of 1941. A further decline in bank deposits and reserves has reflected operations of the Treasury and a continued heavy demand for currency.

The principal change in the loans and investments of the reporting banks in the past month has been an increase of \$6 million in credit extended to commercial and industrial concerns. These loans have shown increases of 40 per cent since the beginning of the defense program in 1940 and nearly 60 per cent since the outbreak of war in 1939. Working capital requirements have been sharply increased over these periods by rapidly rising payrolls, higher commodity prices, and the increased supplies of goods in process and raw stock necessitated by the advanced levels of industrial operations.

Investments have declined \$2 million in the month to \$861 million but continue to exceed the level of a year ago by well over \$100 million. The latest change reflected small reductions in holdings of Treasury bills, notes, and guaranteed securities, with a partly compensating increase in the United States bond account. Nearly three-fifths of the resources of the reporting banks are now in the form of cash assets and government securities.

Deposits at these banks increased after the turn



of the year but resumed the downward trend in February, with the result that balances totaling \$1,925 million on the 18th were \$17 million smaller than they were four weeks earlier. Demand deposits of individuals and business concerns advanced to a new peak, but this gain was more than offset by payments from time deposits and by withdrawals from government and inter-bank balances.

Member bank reserves still exceed requirements by about 50 per cent, although actual balances declined \$24 million to \$645 million in the four weeks ended February 18. Support was given to reserves by a gain in interdistrict commercial transactions and the deposit of officers' checks issued by the Federal Reserve Bank. The effect of these funds upon reserves, however, was outweighed by the substantial increase in money in circulation and withdrawals from the market by the Treasury. Defense expenditures were heavy, but Treasury receipts were maintained at high levels by sales of savings bonds and tax notes, withdrawals from depository banks, and the inflow of substantial amounts of unemployment trust funds.

Discounts for member banks and industrial advances of the Reserve Bank have declined slightly. The participation of the Bank in the System Open Market Account still approximates \$178 million.

Sales of United States Defense Savings bonds by the Federal Reserve Bank and qualified agents increased to a peak of \$84 million, maturity value, in January from \$44 million in December. The District was allotted \$99 million of the new 2½ per cent Treasury bonds of 1952-55, about one-third being paid for by deposit credit.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1923-5=100	Adjusted for seasonal variation					Not adjusted		
	Jan. 1942	Dec. 1941	Jan. 1941	Per cent change Jan. 1942 from		Jan. 1942	Dec. 1941	Jan. 1941
				Month ago	Year ago			
INDUSTRIAL PRODUCTION	121p	123	96	- 2	+26	119p	120	95
MANUFACTURING	123p	126	96r	- 2	+29	121p	122	94r
Durable goods	171p	166	113	+ 3	+51			
Consumers' goods	90p	98	83	- 9	+ 8			
Metal products	155p	156	122	- 1	+27	149p	149	118
Textile products	73p	82	73r	-11	0	75p	79	75r
Transportation equipment	323	294r	145	+10	+123	324	300r	145
Food products	90p	94	82	- 5	+ 9	89p	92	80
Tobacco and products	134	151	101	-11	+32	111	109	84
Building materials	63	61r	49	+ 3	+27	52	55	41r
Chemicals and products	157p	163	131	- 3	+20	153p	160	128
Leather and products	116p	133	101	-13	+15	120p	127	104r
Paper and printing	93	97	88	- 4	+ 6	93	98	88
Individual lines								
Pig iron	111p	111	91	+ 1	+23	108p	110	88
Steel	130	133	109	- 2	+19	128	125	107
Iron castings	109	113	96	- 4	+13	99	105	88
Steel castings	181	197	137	- 8	+32	192	190	145
Motor vehicles	55	57	32	- 3	+73	49	45	28
Automobile parts and bodies	129	130	102	- 1	+27	128	128	101
Silk manufactures	68	72r	71r	- 6	- 5	69	73r	72r
Woolens and worsteds	79p	86	60	- 7	+32	80p	80	60
Cotton products	49	50	52	- 2	- 6	50	54	53
Carpets and rugs	105p	109	105	- 4	+ 1	100p	105	100
Hosiery	78	90	81	-13	- 3	81	88r	84
Underwear	145	145	134	0	+ 8	142	144	131
Cement	102	95	66	+ 8	+54	71	78	46
Brick	71	72r	67	- 1	+ 7	66	70r	62
Lumber and products	34	34	30	+ 2	+16	32	33	27r
Bread and bakery products				- 1*	+ 9*	96	97	88
Slaughtering, meat packing	98	102	96	- 3	+ 2	107	109	105
Sugar refining	57	106	134	-46	-57	39	69	92
Canning and preserving	98p	99	70	- 1	+40	97p	100	68
Cigars	134	151	101	-11	+33	110	109	83
Paper and wood pulp	91	90	78	+ 1	+18	90	91	77
Printing and publishing	93	98	90	- 5	+ 4	93	99	90
Shoes	125	156	126	-20	- 1	127	132	128
Leather, goat and kid	108p	112	77r	- 4	+39	114p	122	82
Paints and varnishes	104	101	91	+ 3	+14	94	97	82
Petroleum products	193p	190	154	+ 1	+25	190p	189	153
Coke, by-product	156p	159	147	- 2	+ 6	156p	155	147
COAL MINING	60p	61	64	- 1	- 6	69p	64	74
Anthracite	57p	57	62	0	- 8	66p	60	72
Bituminous	83	91	77	- 8	+ 7	95	95	88
CRUDE OIL	474	477	423	- 1	+12	455	448	406
ELECTRIC POWER—OUTPUT	343	339	302	+ 1	+13	364	362	321
Sales, total	357	342	311	+ 5	+15	368	352	320
Sales to industries	275	266	219	+ 3	+25	266	252	212
BUILDING CONTRACTS								
TOTAL AWARDS†	96	96	69	0	+40	107	107	76
Residential	50	55	75	-10	-33	40	54	60
Nonresidential†	158	140	88	+12	+79	170	152	95
Public work and utilities†	121	132	60	-8	+100	155	158	77

* Unadjusted for seasonal variation.

† 3-month moving daily average centered at 3rd month

p—Preliminary.

r—Revised.

Local Business Conditions*

Percentage change—January 1942 from month and year ago	Employment		Payrolls		Building permits value		Retail sales		Debits	
	Dec. 1941	Jan. 1941	Dec. 1941	Jan. 1941	Dec. 1941	Jan. 1941	Dec. 1941	Jan. 1941	Dec. 1941	Jan. 1941
Allentown	+1	+11	+3	+41	-58	+26	-47	+56	-10	+15
Altoona	-1	+19	-7	+39	-65	-49	-54	+45	-9	+1
Harrisburg	0	+15	0	+35	-3	-74	-42	+44	-17	+25
Johnstown	-1	+12	+2	+32	-57	-96	-56	+34	-11	+28
Lancaster	-2	+12	-1	+35	-82	-25	-46	+52	-7	+30
Philadelphia	-1	+21	0	+54	+46	-2	-49	+42	-21	+20
Reading	-2	+6	-2	+29	+275	+35	-47	+61	-10	0
Scranton	-2	+8	-3	+20	-84	-85	-53	+36	-18	+15
Trenton	-3	-1	0	+21	-63	-58	-58	+41	-8	+16
Wilkes-Barre	0	+29	+2	+84	+178	-38	-53	+41	-11	+13
Williamsport	0	+16	+2	+54	-98	-67			-9	+14
Wilmington	+1	+24	+4	+65	+33	-25	-44	+50	-44	-8
York	-4	+3	+2	+32	+6	-64	-50	+62	-9	+38

* Area not restricted to the corporate limits of cities given here.

Indexes: 1932=100	Employment			Payrolls		
	Jan. 1942 index	Per cent change from		Jan. 1942 index	Per cent change from	
		Dec. 1941	Jan. 1941		Dec. 1941	Jan. 1941
GENERAL INDEX	131	-6	+11	242	-4	+34
Manufacturing	171	-1	+15	341	0	+40
Anthracite mining	66	+1	-2	67	+9	+2
Bituminous coal mining	107	+1	-2	297	-8	+30
Building and construction	49	-18	+9	88	-20	+28
Quar. and nonmet. mining	113	-6	+12	277	-9	+34
Crude petroleum prod.	139	-1	+2	179	-2	+12
Public utilities	105	0	+6	127	-1	+12
Retail trade	113	-27	+9	149	-23	+21
Wholesale trade	125	-2	+3	147	-1	+14
Hotels	97	-3	+2	129	0	+7
Laundries	114	-1	+6	162	+1	+18
Dyeing and cleaning	101	-3	+2	132	-3	+14

Manufacturing

Indexes: 1923-5=100	Employment*			Payrolls*		
	Jan. 1942 index	Per cent change from		Jan. 1942 index	Per cent change from	
		Dec. 1941	Jan. 1941		Dec. 1941	Jan. 1941
TOTAL	110	-1	+15	139	0	+40
Iron, steel and products	119	+1	+22	198	+2	+47
Nonferrous metal products	187	+3	+27	296	+2	+51
Transportation equipment	99	0	+38	138	+1	+75
Textiles and clothing	90	-4	-2	98	-7	+14
Textiles	82	-4	-5	90	-7	+12
Clothing	122	-4	+5	136	-6	+21
Food products	112	-4	+7	130	-4	+18
Stone, clay and glass	98	-1	+14	116	-5	+27
Lumber products	61	-6	-3	66	-9	+15
Chemicals and products	115	+1	+17	152	0	+37
Leather and products	95	-2	+4	112	-2	+19
Paper and printing	105	-3	+7	124	-6	+19
Printing	93	-3	+4	105	-8	+9
Others:						
Cigars and tobacco	72	-2	+13	70	-6	+26
Rubber tires, goods	90	-6	+2	124	-7	+22
Musical instruments	69	-5	0	83	-14	+13

* Figures from 2872 plants.

Hours and Wages

Factory workers Averages January 1942 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	41.3	+6	\$.860	+16	\$35.19	+23
Iron, steel and prod.	42.5	+5	.945	+15	40.15	+21
Nonfer. metal prod.	41.9	+6	.771	+14	32.31	+21
Transportation equip.	46.5	+14	.981	+21	45.55	+38
Textiles and clothing	38.3	+5	.608	+12	21.94	+18
Textiles	37.0	+6	.625	+14	23.02	+21
Clothing	34.6	+4	.564	+8	19.67	+11
Food products	40.0	+3	.663	+9	26.95	+12
Stone, clay and glass	37.1	+2	.791	+9	29.29	+12
Lumber products	39.1	+4	.597	+4	23.00	+8
Chemicals and prod.	38.6	+2	.923	+14	35.40	+16
Leather and products	38.7	-1	.813	+11	23.77	+11
Paper and printing	41.1	+8	.770	+5	31.95	+10
Printing	38.1	+5	.915	-2	34.95	+1
Others:						
Cigars and tobacco	36.2	+3	.487	+6	17.62	+9
Rubber tires, goods	39.2	+5	.777	+7	30.50	+13
Musical instruments	43.5	+6	.718	+6	31.27	+13

* Figures from 2645 plants.

† Figures from 2872 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change	
	Jan. 1942 from	
	Month ago	Year ago
Sales		
Total of all lines.....	0	+38
Boots and shoes.....	+70	+64
Drugs.....	-9	+7
Dry goods.....	+12	+72
Electrical supplies.....	-15	+8
Groceries.....	+7	+30
Hardware.....	-20	+48
Jewelry.....	-69	+7
Paper.....	+1	+33
Inventories		
Total of all lines.....	+3	+18
Drugs.....	+4	+2
Dry goods.....	+1	+26
Electrical supplies.....	-7	+13
Groceries.....	+4	+29
Hardware.....	+7	+20
Jewelry.....	+12	-9
Paper.....	+5	+21

Source: U. S. Department of Commerce.

Prices	Jan. 1942	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100).....	164	+3	+36	+64
Wholesale (1926 = 100)	96	+3	+19	+28
Farm.....	101	+6	+41	+65
Food.....	94	+4	+27	+39
Other.....	95	+1	+12	+18
Living costs (1935-1939 = 100)				
United States.....	112	+1	+11	+13
Philadelphia.....	110	+2	+11	+13
Food.....	114	+4	+20	+22
Clothing.....	113	0	+13	+14
Rent.....	106	0	+2	+3
Fuels.....	103	0	+4	+7
Housefurnishings.....	117	+2	+16	+17
Other.....	108	0	+6	+7

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Jan. 1942	Dec. 1941	Jan. 1941	Per cent change		Jan. 1942	Dec. 1941	Jan. 1941	
				Jan. 1942 from					
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	163p	127	112r	+28	+ 45	116p	238	80	
Philadelphia.....	158	123	110r	+28	+ 43	116	236	81	
Women's apparel.....	128	106	101r	+20	+ 27	111	174	87r	
Men's apparel.....	183p	136	123r	+35	+ 49	168p	227	113	
Shoe.....	156p	124	109r	+26	+ 44	119p	148	83r	
Credit.....	159p	125r	124r	+27	+ 28	98p	202r	77r	
Inventories									
Department stores—District.....	131p	125	103r	+ 5	+ 28	115p	114	90	
Philadelphia.....	124	113	99r	+ 9	+ 25	110	106	88	
Women's apparel.....	134	121	101r	+11	+ 32	116	117	87	
Shoe.....	101p	108	95	-6	+ 7	91p	100	85	
Credit.....	165p	159r	111	+4	+ 48	157p	146r	106	
FREIGHT-CAR LOADINGS									
Total	158	163	144	- 3	+ 10	134	136	121	
Merchandise and miscellaneous.....	162	162	141	0	+ 15	138	140	121	
Merchandise—l.c.l.....	113	111	105	+ 1	+ 8	103	106	95	
Coal.....	124	121	120	+ 2	+ 3	132	128	128	
Ore.....	316	446	335	-29	- 6	66	107	70	
Coke.....	190	187	172	+ 2	+ 11	196	196	177	
Forest products.....	116	125	105	- 7	+ 10	106	110	96	
Grain and products.....	130	120	112	+ 9	+ 16	122	122	105	
Livestock.....	99	102	99	- 3	0	103	109	103	
MISCELLANEOUS									
Life insurance sales.....	209	152	100	+38	+109	186	159	89	
Hotels—(1934 = 100).....									
Occupancy.....				*	*		98	106	
Income, total.....				*	*		119	117	
Business liquidations.....									
Number.....				-15*	- 32*	82	97	121	
Amount of liabilities.....				-44*	- 37*	24	44	38	
Check payments.....	138	164r	117r	-16	+ 18	140	177r	119r	

* Computed from unadjusted data.

p—Preliminary.

r—Revised.

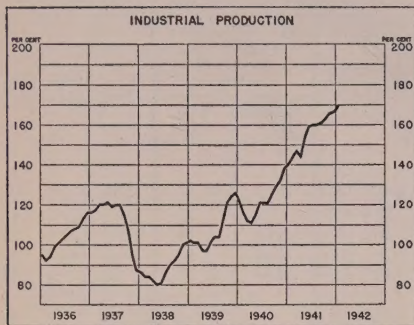
BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

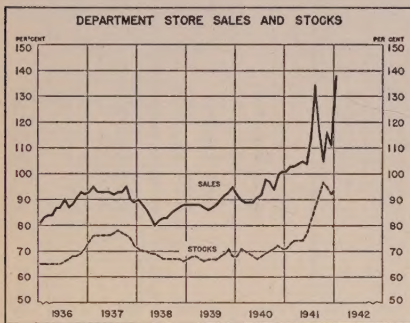
Reporting member banks (000,000's omitted)	Feb. 18, 1942	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 295	+ \$ 6	+ \$ 54
Open market paper.....	42	0	+ 8
Loans to brokers, etc.....	26	0	+ 2
Other loans to carry secur.....	33	0	+ 1
Loans on real estate.....	49	0	- 1
Loans to banks.....		0	0
Other loans.....	110	0	+ 10
Total loans.....	\$ 555	+ \$ 6	+ \$ 74
Government securities.....	\$ 491	- \$ 1	+ \$107
Obligations fully guar'teed.....	103	- 1	+ 14
Other securities.....	267	0	- 12
Total investments.....	\$ 861	- \$ 2	+ \$109
Total loans & investments	\$1,416	+ \$ 4	+ \$183
Reserve with F. R. Bank.....	447	- 19	- 77
Cash in vault.....	26	+ 1	+ 3
Balances with other banks.....	196	- 4	- 15
Other assets—net.....	69	+ 1	- 11
Liabilities			
Demand deposits, adjusted.....	\$1,273	+ \$19	+ \$177
Time deposits.....	189	- 11	- 71
U. S. Government deposits.....	21	- 10	+ 11
Interbank deposits.....	442	- 15	- 31
Borrowings.....		0	0
Other liabilities.....	12	- 1	- 3
Capital account.....	217	+ 1	0

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—				Changes in four weeks
	Jan. 28	Feb. 4	Feb. 11	Feb. 18	
Sources of funds:					
Reserve Bank credit extended in district.....	- 0.8	- 6.5	+ 4.1	+ 4.6	+ 1.4
Commercial transfers (chiefly interdistrict).....	- 9.0	+23.8	+20.6	- 6.3	+29.1
Treasury operations.....	+ 0.8	- 8.1	-20.8	-10.1	-38.2
Total.....	- 9.0	+ 9.2	+ 3.9	-11.8	- 7.7
Uses of funds:					
Currency demand.....	+ 3.0	+ 7.1	+13.3	- 0.2	+23.2
Member bank reserve deposits.....	-12.2	+ 7.8	- 9.2	-10.1	-23.7
"Other deposits" at Reserve Bank.....	+ 0.2	- 5.6	- 0.2	- 1.4	- 7.0
Other Federal Reserve accounts.....	- 0.0	- 0.1	+ 0.0	- 0.1	- 0.2
Total.....	- 9.0	+ 9.2	+ 3.9	-11.8	- 7.7
Member bank reserves					
Daily averages: (dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired	
Phila. banks:					
1942: Jan. 1-15.....	\$449.4	\$294.5	\$154.9	53%	
Jan. 16-31.....	446.0	295.4	150.6	51	
Feb. 1-15.....	443.1				
1941: Feb. 1-15.....	505.8	231.3	274.5	119 "	
Country banks:					
1942: Jan. 1-15.....	223.8	144.6	79.2	55 "	
Jan. 16-31.....	216.3	143.4	72.9	51 "	
Feb. 1-15.....	212.9				
1941: Feb. 1-15.....	190.4	102.1	88.3	86 "	
Federal Reserve Bank of Phila. (Dollar figures in millions)					
Feb. 18, 1942					
Bills discounted.....	\$ 0.7	- \$ 0.1	+ \$ 0.2		
Bills bought.....	0	0	0		
Industrial advances.....	3.4	- 0.1	+ 1.1		
U. S. securities.....	177.7	- 0.0	+ 2.8		
Total.....	\$181.8	+ \$ 0.2	+ \$ 4.1		
Note circulation.....	595.5	-20.7	+181.6		
Member bk. deposits.....	644.7	+23.7	-56.7		
U. S. general account.....	21.5	- 5.3	-16.9		
Foreign bk. deposits.....	59.4	- 8.4	-16.8		
Other deposits.....	18.1	- 7.0	-11.3		
Total reserves.....	1179.2	-25.7	+74.3		
Reserve ratio.....	88.0%	- 0.4%	+ 0.3%		

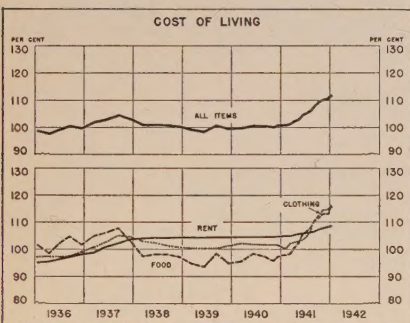
National Summary of Business Conditions



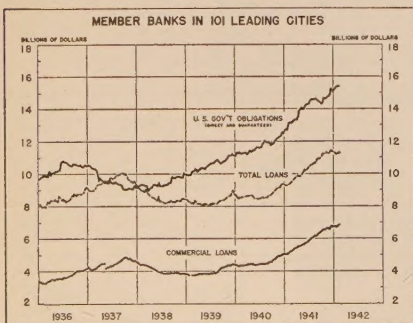
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for January 1942.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for January 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for February 11, 1942.

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

PRODUCTION

Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals likewise rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the F. W. Dodge Corporation. Declines were reported in all classes of construction, the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

DISTRIBUTION

In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

COMMODITY PRICES

Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules—approximately 100 in number—remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

BANK CREDIT

Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of Government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Member bank reserves have shown little change in recent weeks, and excess reserves have continued close to three and one-half billion dollars.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short term securities, which had risen in January, were steady.